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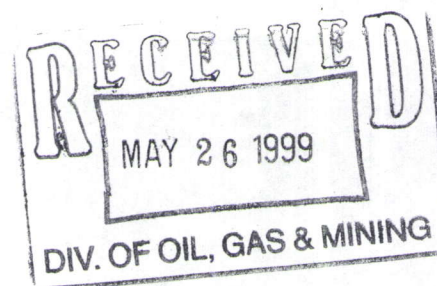
Clifton Mining Company

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May 25, 1999



Glenn A. Carpenter
United States Department of the Interior
Bureau Of Land Management
Salt Lake District Office
2370 South 2300 West
Salt Lake City, UT 84119

RE: Reference 3809, U-7399 (UT-023).

Notice Of Appeal

Dear Mr. Carpenter:

We are in receipt of your letter dated April 27, 1999 and hereby reply to reference 3809, U-7399 (UT-023). This letter constitutes Clifton Mining Company's ("Clifton") official notice of appeal. Given the facts known to all concerned parties involved in the American Consolidated Mining Co. ("American Consolidated") and later Clifton's mill site, Clifton's management deems these restrictions as harassment by BLM officials and another unconscionable act perpetrated on Clifton by certain BLM officials.

The BLM has continually attempted to circumvent the company's rights to water from the Cane Springs, where Clifton has the first and the majority water right, predating the BLM's by at least 27 years. As evidenced by the demands outlined in Stipulations 12 and 17 of the April 27, 1999 letter. Not to mention the acts of corporate terrorism committed willfully and knowingly, wherein the BLM did unlawfully dig up and fill with rocks American Consolidated/Clifton water pipe, which supplies said mill with water. Knowing full well that Clifton has first water rights and that the BLM's water right is only lawful after Clifton takes its full share.

Clifton in it's effort to be a good neighbor has allowed the water to be split at the source, to run freely into the BLM's water tank and also to the mill at the same time. Even with Clifton's attempts at goodwill, the BLM officials did hire a backhoe from Salt Lake City at taxpayers expense to destruct and willfully inflict serious damage to the mill water system. When confronted with the act, BLM officials offered no compensation to fix the system and did not even have the courtesy to

send a letter of apology for the tens of thousands of dollars of damage perpetrated by their misconduct.

Stipulations 1-3

Stipulations 1-3 are completely preposterous and again comparable to harassment, when given the facts known to all concerned parties including the Department of Oil, Gas and Mining, State of Utah and Division of Water Quality, and also BLM officials.

EPA test 1312 initiated by the Department of Water Quality specifically demonstrates that the Clifton mill tailings, has a 40 times greater capacity to neutralize acid than to generate it. The specific numbers being: AGP= 1.5 and the ANP= 61. This information was sent by fax to the BLM, with a second hard copy also mailed to the BLM. Additionally, the Department of Water Quality, after numerous tests and onsite visits has determined that neither the mill water, the chemicals in use, or the tailings from the mill pose ANY threat to ground water.

In addition to the above information, if the Gold Hill ores were acid generating, which it has been shown they are not, the damage would have been done long before now. We have not mined any ore bodies that have not been previously mined. Also, there are two additional old mill sites complete with tailings on private property, within 400 yards of Clifton's mill site, in the same drainage. Not to mention the fact that the Clifton mill site itself, has been in operation, more or less, for the last 100 years, from numerous mines around the area and yet the tailings have a great capacity to neutralize acid, not generate it.

Stipulation 6

Given the fact that the tailings from the mill site have been determined by the Department of Water Quality, to pose no threat to ground water, Clifton has proposed the use of the tailings as a means to continue to reclaim historical workings, by refilling the holes which pose a threat to humans because of their size and or depth. Clifton won an EARTH DAY award last year in conjunction with the Department of Oil Gas and Mining, for reclamation work both on it's own as well as other properties. However, Clifton has no need to use the tailings, but has only proposed their use to the separate agencies, out of continued goodwill in doing further reclamation work on historical workings.

Stipulation 9

Again, there is no basis for this stipulation, given the fact that the entire mill site area is by use of our USGS map above the 4300 foot elevation, resting between 4320 and 4360 feet above sea level. Also, given the fact that the Division of Water Quality has determined that the chemicals used in the mill operations pose no threat to ground water.

Stipulation 10

Stipulation 10 would seem to state that Clifton could not pipe tailings water from mill operations into the tailings impoundment. Clifton has never put mill water anywhere but in the tailings impoundment. Given the pronouncement from the Department of Water Quality that the mill water nor the tailings pose any threat to ground water, the implied statement that Clifton could not put mill water in the tailings impoundment is preposterous.

Stipulation 12

Clifton owns the primary water right from the Cane Springs, including the majority flow, which water right predates the BLM's by at least 27 years and as such Clifton has no responsibility to assure the BLM of any particular flow. The BLM's continued attempts to steal the first water right has no legal basis. Clifton out of continued attempts to be a good neighbor has allowed the BLM to have an equal split of the water as it emerges from the mine tunnel which has given the BLM all the water necessary to fill the big tank. Clifton has no responsibility to do this but has done it out of good will to the BLM, in return the BLM has made no goodwill attempts. As long as Clifton continues its goodwill, the BLM has no need to continue to attempt to usurp the first water right. Even without mill operations Clifton could use all of its water rights for water use in the town of Gold Hill, but at this point has not decided to do so.

Stipulation 14

Clifton stores all chemicals in compliance with OSHA and MSHA requirements and under their constant supervision.

Stipulation 15

Clifton has never taken any water from the 10,000 gallon tank and has no reason to do so. Clifton must again reiterate that the first right and majority flow at the Cane Springs belongs to Clifton. Clifton at this time has chosen to share that right with the BLM, but Clifton does so out of its own good will, not out of any legal obligation to the BLM.

Stipulation 18

The Department of Water Quality has made it abundantly clear, after complete testing of the mill water and also the tailings impoundment and water supplies, also having personally inspected the site on numerous occasions, that no permit is necessary for our operation, because in their opinion the project poses no threat to ground water resources. Copies of this information has been sent to the BLM by Clifton.

Stipulation 19

This entire stipulation is ludicrous. It has been determined by government personnel in the Department of Water Quality that the Clifton mill operation and tailings, poses no threat to ground water. Clifton has never disbursed any mill water into the drainage channel, it has no reason to do so now or in the future. Also, any samples taken in the water drainage would not be traceable to Clifton anyway, because there are two historic mill sites on private property with tailings piles currently being washed down the water drainage, that are directly below the Clifton mill site. The first is within 70 yards of Clifton's mill site and the second is within probably 400 yards. While Clifton has established that its mill operation poses no threat to ground water, Clifton has no responsibility for operations run 50 or 100 years ago. Clifton also has no knowledge of what went on in those operations or what chemicals may have been used. Neither does Clifton have any responsibility for them. As such it is impossible to attribute to Clifton anything that may be found in the drainage. Besides the mill sites, there are at least 100 mine workings that have tailings that wash directly into the same drainage, including the US Mine that produced heavy amounts of arsenic and other minerals and metals for the World War II war effort, which are not now owned nor have they ever been worked by Clifton or its predecessor company. All of these mines empty or wash directly into the same drainage above, below, and also to the north and south of the Clifton mill site, which would make it entirely impossible to attribute any findings to Clifton operations even if they were taken right at the intercept of the mill tailings pile and the wash. **The fact remains however, that the Department of Water Quality has determined that the Clifton mill operation poses no threat to ground water.**

Stipulation 23

Clifton was never asked to file an Existing Occupancy Notice in October of 1996. Clifton filed a notice of intent to commence small mining operations in May of 1995, it's predecessor company had run the mill prior to that date. On September 6th of 1996 Clifton received a notice of noncompliance from the BLM, stating that the BLM had no knowledge of the small milling operation. On September 9th and September 12th 1996, all information relating to the operation, including information from the Department of Oil, Gas, and Mining, information from Department of Water Quality, and other information was faxed to Margaret Wyatt, area manager BLM. The paperwork showed that in fact all copies of all documents had been forwarded to the BLM from both DOGM and also from Water Quality. Clifton filed a response to the notice of noncompliance within 13 days of receipt on September 19, 1996, the letter included information as requested on the Plan of Operations.

Clifton then received a second letter requesting additional information for the Plan of Operations dated October 3, 1996. Clifton then responded providing the additional information as requested by fax to Michael Ford of the BLM on October 9, 1996, just 6 days after the request was written. The October 9, 1996 fax included a mill flow sheet, property maps, and a conceptual view of the tailings impoundment. All requests to Clifton from the BLM have been responded to in a timely fashion.

Added Note

Clifton respectfully requests that a detailed accounting of the uses of the proposed \$32,000.00 reclamation bond be delivered to Clifton before any such bond is posted, because this amount appears to be exceptionally high, given the fact that this amount of money is thousands of dollars more costly than any one of the numerous reclamation plans proposed by Clifton to the BLM. Secondly, Clifton requests sufficient time to raise such funds for posting. Thirty days is too short a time frame for a small company to raise such a large sum. Clifton's management finds the threat of, "Pay the money within thirty days or we will cancel your whole plan of operations" to be completely unreasonable and another attempt to harass the company for no apparent reason.

Clifton has made every attempt to supply the BLM with any and all information they have requested in a timely manor.

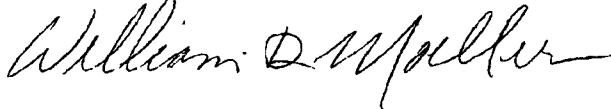
Clifton also wishes to condemn the unconscionable treatment it has received from the BLM and its employees. In July of 1998, Keith Moeller met with a BLM employee to attempt to trade the mill property for similar private property in the same area at a rate of one acre of mill property from the BLM, for 1.5 acres of other real property from Clifton, thereby increasing the amount of public property for US citizens and at the same time eliminating any problems Clifton may have with the BLM. Clifton has already posted reclamation bonds with the Department of Oil, Gas, and Mining. Which reclamation work has already mostly been completed, thereby making the money available for use on the mill site, if it were under the direction of DOGM, which it would be if the property was private. The BLM employee then counter offered, saying that because the mill property was a small piece of property and almost completely surrounded by private property, already owned or controlled by Clifton, the BLM would instead of trading properties, just sell the parcel to Clifton at whatever the current market value was. He then stated that it would take about six months or so to complete the transaction. Mr Moeller readily accepted this offer and was willing to do whatever needed to complete the transaction. Clifton has heard nothing further on the transaction, even after numerous phone calls in the 10 months since the meeting.

Then on December 30, 1998 Clifton received another notice of Noncompliance from the BLM again threatening to terminate the entire project. On January 6, 1999, just 6 days after receiving the notice, Clifton again filled a response answering all questions asked by Mike Ford. Three Clifton employees, then under the threat of termination of the entire project, tried repeatedly to get in touch with Mike Ford and then later his superiors, all to no avail. BLM employees would not return one phone call in three weeks. Finally, after three weeks of trying Bob Holliday (Clifton Vice President in charge of operations) was able to contact one of Mike Ford's superiors, he indicated that he did not know if the response was adequate or not, to circumvent noncompliance and the termination of the project. Clifton's management then at the end of the time frame, having heard nothing from BLM employees (Mike Ford) and not knowing if the answers were acceptable or not, filed a second response on January 26, 1999, downsizing the plant plans to just 25% of capacity, worried that the BLM would terminate the entire project. Clifton still has received no response from either the BLM or its

employees on whether or not the notice of noncompliance was circumvented. Neither has Clifton received one return phone call in the past four or five months since the letter of noncompliance was sent to Clifton, from either Mr. Ford or any of his superiors.

Sincerely,

CLIFTON MINING COMPANY



William D. Moeller, President

WDM/kwm

cc: Tom Munson
Utah Division of Oil, Gas and Mining

Lyle Stott
Utah Division of Water Quality

Honorable Orin Hatch
US Senator